

CIRCULAR

To

ALL COMMERCIAL BANKS AND INTERMEDIARIES

On : Amendment to Circular of Bank Indonesia Number 12/16/DPM dated 6 July 2010 on Criteria and Requirements for Securities, Participants, and Intermediaries in Monetary Operations.

In connection with Regulation of Bank Indonesia Number 12/11/PBI/2010 on Monetary Operations (State Gazette of the Republic of Indonesia Number 84 of 2010, Supplement to State Gazette of the Republic of Indonesia Number 5141) as last amended by Regulation of Bank Indonesia Number 15/5/PBI/2013 (State Gazette of the Republic of Indonesia Number 144 of 2013, Supplement to State Gazette of the Republic of Indonesia Number 5440), it is necessary to amend Circular Number 12/16/DPM dated 6 July 2010 on Criteria and Requirements for Securities, Participants, and Intermediaries in Monetary Operations as follows:

1. The provisions of Chapter I are amended; therefore, Chapter I reads as follows:

I. GENERAL CONDITIONS

In this Circular:

1. Bank means a commercial bank as set forth in the applicable Banking Law which carries on its business in a conventional manner.
2. Monetary Operation means monetary policy implementation by Bank Indonesia for monetary control through Open Market Operation and Standing Facilities.

3. Open Market Operation, hereinafter referred to as OMO, means transactions in the money market for Monetary Operations carried out by Bank Indonesia and Monetary Operation Participants.
4. Standing Facilities mean lending facilities provided by Bank Indonesia to Banks and deposit facilities placed by Banks with Bank Indonesia for Monetary Operations.
5. Securities mean Bank Indonesia Certificate, Bank Indonesia Deposit Certificate, and Government Securities used in Monetary Operation transactions set forth herein.
6. Bank Indonesia Certificate, hereinafter referred to as SBI, means securities in rupiah currency issued by Bank Indonesia as acknowledgement of short term debts.
7. Bank Indonesia Deposit Certificate, hereinafter referred to as SDBI, means securities in rupiah currency issued by Bank Indonesia as acknowledgement of short term debts tradable between Banks only.
8. Government Securities, hereinafter referred to as SBN, mean Government Debentures and Government Sharia Securities.
9. Government Debenture, hereinafter referred to as SUN, means securities in the form of certificates of acknowledgment of indebtedness in rupiah and foreign currencies whose principal and interest payments are guaranteed by the Republic of Indonesia according to their validity as set forth in the applicable laws.
10. Government Sharia Securities, hereinafter referred to as SBSN or Government Sukuk, mean SBN issued under sharia principles to evidence authorization to SBSN assets, either in rupiah or in foreign currencies, as set forth in the applicable laws.
11. Government Bonds mean SUN with a tenure of more than 12 (twelve) months with coupon and/or discounted interest payment.

12. Government Treasury Bill, hereinafter referred to as SPN, means SUN with a tenure of 12 (twelve) months and discounted interest payment.
 13. Zero Coupon Bond, hereinafter referred to as ZCB, means zero coupon Government Bonds with discounted interest payment.
 14. Retail Government Bond, hereinafter referred to as ORI, means a Government Bond which in the primary market is sold to an individual Indonesian Citizen.
 15. Retail Government Sharia Securities, hereinafter referred to as Retail SBSN, or Retail Government Sukuk, mean SBSN sold to an individual Indonesian Citizen through a sales agent.
 16. Repurchase Agreement (repo) transaction, hereinafter referred to as repo transaction, means the sale of Securities by Monetary Operation participants to Bank Indonesia under an obligation to repurchase by the Monetary Operation participants at an agreed price and in an agreed period.
 17. Outright transaction means the purchase and sale of Securities by Monetary Operation participants to Bank Indonesia in an outright manner without any resale and repurchase obligations by the Monetary Operation participants.
 18. Bank Indonesia-Scripless Securities Settlement System, hereinafter referred to as BI-SSSS, means a medium of transaction with Bank Indonesia, including its administration and electronic administration of securities and directly connected between the participant, provider, and Bank Indonesia-Real Time Gross Settlement System.
 19. Bank Indonesia-Real Time Gross Settlement System, hereinafter referred to as BI-RTGS System, means an electronic fund transfer system between participants of BI-RTGS System in rupiah currency whose settlement is made outright individually for each transaction.
2. The provisions of numbers 2 and 3 of Chapter II are amended; therefore, they read as follows:

2. Types of Securities which meet the criteria set forth in number 1 are:
 - a. SBI;
 - b. SDBI; and
 - c. SBN consisting of:
 - 1) SUN comprising SPN and Government Bond, including ZCB and ORI; and
 - 2) SBSN including Retail SBSN.

3. Requirements for Securities:

For repo transactions in OMO and lending facilities:

- a. SBI

Has a minimum remaining tenure of 2 (two) business days on the second leg of repo transaction.
- b. SDBI

Has a minimum remaining tenure of 2 (two) business days on the second leg of repo transaction.
- c. SBN

Has a minimum remaining tenure of 3 (three) business days on the second leg of repo transaction.

3. The provisions of numbers 2 and 4 of Chapter III are amended; therefore, they read as follows:

2. The price of Securities set forth in number 1 is determined as follows:
 - a. The price of SBI is determined by Bank Indonesia by considering, among others, weighted average of discount rate on issuance and the remaining tenure of each SBI series.
 - b.
 - c. The price of SDBI is determined by Bank Indonesia by considering, among others, weighted average of discount rate on issuance and the remaining tenure of each SDBI series. The price of SBN is determined by Bank Indonesia by considering, among others, the market price of each type and series of SBN.

4. The haircut set forth in number 1 is determined:

a. 0% ...

- a. 0% (zero percent) for SBI;
 - b. 0% (zero percent) for SDBI; and
 - c. 5% (five percent) for SBN.
4. The provisions of number 1 of Chapter IV are amended; therefore, number 1 reads as follows:
- 1. Calculation of settlement value of lending facility, repo, and reverse repo transactions
 - a. Settlement value of Securities is equal to the nominal value of Securities under a repo or reverse repo.
 - b. First leg settlement value is calculated as follows:
 - 1) Zero coupon SBI, SDBI, SPN, ZCB, and SBSN

$$\begin{array}{lcl} \text{Nilai} & \text{Nominal Surat} & \\ \text{setelmen} & \text{Berharga yang} & \\ \text{first leg} & \text{direpakan} & \times \left(\frac{\text{Harga Surat}}{\text{Berharga}} - \text{Haircut} \right) \end{array}$$

- 2) Government Bond, including ORI

$$\begin{array}{lcl} \text{Nilai} & \text{Nominal Surat} & \\ \text{setelmen} & \text{Berharga yang} & \\ \text{first leg} & \text{direpakan} & \times \left(\frac{\text{Harga Surat}}{\text{Berharga}} - \text{Haircut} \right) \end{array} \Bigg] + \begin{array}{l} \text{Accrued} \\ \text{Interest} \end{array}$$

- 3) SBSN

$$\begin{array}{lcl} \text{Nilai} & \text{Nominal Surat} & \\ \text{setelmen} & \text{Berharga yang} & \\ \text{first leg} & \text{direpakan} & \times \left(\frac{\text{Harga Surat}}{\text{Berharga}} - \text{Haircut} \right) \end{array} \Bigg] + \begin{array}{l} \text{Accrued} \\ \text{Imbalan} \end{array}$$

Remarks:

Securities Price : The price of Securities is as announced on BI-SSSS on the dates of lending facility, repo, and reverse repo transactions.

Haircut : Haircut is as announced on BI-SSSS on the dates of lending facility, repo, and

reverse repo transactions.

Accrued Interest and : The right to coupon/return of
Accrued Return Securities calculated from 1
(one) day after the payment
date of the last
coupon/return to the first leg
settlement date.

c. Second leg settlement value is calculated as follows:

$$\begin{aligned} \text{Nilai} & & \text{Nilai} & & \text{Bunga} \\ \text{setelmen} & = & \text{setelmen} & + & \text{Transaksi Repo/Reverse Repo/} \\ \text{second leg} & & \text{first leg} & & \text{Lending Facility} \end{aligned}$$
$$\begin{aligned} \text{Bunga} & & \text{Nilai} & & \text{Repo/Reverse} \\ \text{Transaksi Repo/Reverse Repo/} & = & \text{setelmen} & \times & \text{Repo rate} \times \frac{\text{Jangka waktu}}{360} \\ \text{Lending Facility} & & \text{first leg} & & \end{aligned}$$

Remarks:

Tenure : The tenure of lending facility or repo
or reverse repo transactions.

5. One number, namely number 4, is inserted to Chapter IV, and it reads
as follows:

4. Early redemption of SDBI

Early redemption of SDBI is made in the event a transaction
settlement of matured repo and lending facility fails or a
transaction using SDBI occurs between a Bank and any party
other than a Bank with the following calculation of cash
settlement value:

$$\text{Nilai Tunai Early Redemption} = \frac{\text{Nilai Nominal SDBI yang gagal setel} \times 360}{360 + (\text{Tingkat Diskonto} \times \text{Sisa Jangka Waktu})}$$

Remarks:

Discount rate : weighted average of discount rate on
SDBI issuance.

Remaining Tenure : the actual days starting from 1 (one)
day after the date of Monetary

Operation transaction failure until
SDBI maturity date.

This Circular of Bank Indonesia takes effect as of 27 August 2013.

In order for this Circular of Bank Indonesia to become publicly known, it is hereby ordered that this Circular of Bank Indonesia be promulgated in the Official Gazette of the Republic of Indonesia. In ...

Your attention is highly appreciated.

BANK INDONESIA,

FILIANINGSIH HENDARTA

HEAD

MONETARY MANAGEMENT DEPARTMENT